

## Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-05  
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01  
SP-02 SS-15 USIA-06 AID-05 EB-08 TRSE-00 STR-05  
OMB-01 CEA-01 COME-00 FRB-03 XMB-02 OPIC-03  
LAB-04 SIL-01 AGRE-00 DOE-12 SOE-01 /130 W  
-----113369 210822Z /11

R 210649Z DEC 77  
FM AMEMBASSY CANBERRA  
TO SECSTATE WASHDC 2030  
INFO AMCONSUL BRISBANE  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMCONSUL MELBOURNE  
AMCONSUL PERTH  
AMCONSUL SYDNEY  
AMEMBASSY TOKYO  
AMEMBASSY WELLINGTON

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USEEC  
USMTN - ALSO FOR USMISSION

EO 11652: NA  
TAGS: EALR, ECON, EFIN, EGEN, AS  
SUBJECT: NEW FRASER MINISTRY - PRELIMINARY ASSESSMENT OF ECONOMIC  
FUNCTIONS OF NEW FRASER MINISTRY

REF: CANBERRA 8866

### SUMMARY

1. ALTHOUGH THE POWER STRUCTURE (BOTH POLITICAL AND BUREAUCRATIC)  
THAT WILL EVENTUALLY EVOLVE IN THE NEW ECONOMIC ALIGNMENT OF THE  
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GOA WILL TAKE SOME TIME TO SORT OUT, THERE NOW APPEARS TO BE  
THREE PRINCIPLE THEMES: (1) THE CREATION OF TWO SEPARATE (AND LOWER  
RANKING) MINISTERS FOR TREASURY AND FINANCE IS BOUND TO PROVIDE  
CONCRETE EVIDENCE FOR WHAT MANY HAVE LONG THOUGHT, I.E.,  
THAT FRASER IS IN EFFECT HIS OWN TREASURER AND FINANCE MINISTER  
AND AS A COROLLARY THE ALREADY CONSIDERABLE ECONOMIC POLICY POWER  
OF DEPARTMENT OF PRIME MINISTER AND CABINET WILL BE ENHANCED; (2)

PHILLIP LNYCH, RANKED NUMBER THREE AS BEFITS HIS POSITION AS DEPUTY LEADER OF LIBERAL PARTY, IS BEING TOUTED AS BEING HEAD OF "SUPER MINISTRY" OF INDUSTRY AND COMMERCE, AND WILL, ACCORDING TO FRASER, HAVE SUPERVISORY FUNCTIONS OVER MINISTER FOR PRODUCTIVITY (MACPHEE) AND MINISTER FOR BUSINESS AND CONSUMER AFFAIRS (FIFE) WHO RANKED 23RD AND 24TH RESPECTIVELY; (3) CONSOLIDATION UNDER DOUG ANTHONY INTO DEPARTMENT OF TRADE AND RESOURCES OF FORMER DEPARTMENT OF OVERSEAS TRADE AND MARKET ORIENTED PARTS OF OLD DEPARTMENT OF NATIONAL RESOURCES, MAY WELL INDICATE REALIZATION ON PART OF GOVERNMENT THAT SECURING OVERSEAS MARKETS FOR AUSTRALIAN MINERALS RESOURCES IS NOW MORE IMPORTANT THAN DEVELOPMENTAL ASPECTS. IT MAY ALSO REPRESENT ATTEMPT TO DILUTE INFLUENCE OF FORMER "CONNERITES AND HEWITTITES" FROM MAINSTREAM OF RESOURCES POLICY, ALTHOUGH ONLY FINAL MAKE-UP OF TWO NEW MINISTRIES WILL GIVE TRUE INDICATION OF THIS LAST POINT. END SUMMARY.

2. DEPARTMENT OF PRIME MINISTER AND CABINET UNDER STRONG-MAN AND REPUTEDLY STRONG PROTECTIONIST ALAN CARMODY AND ASSISTED BY SUCH FORMER ECONOMIC SPECIALISTS AS DEPUTY SECRETARY IAN CASTLES (FORMERLY OF TREASURY) AND FIRST ASSISTANT SECRETARY, ECONOMIC DIVISION, E. VISBORD (ALSO FORMERLY OF TREASURY), WAS ALREADY ASSUMING INCREASED ECONOMIC POLICY CLOUT EVEN BEFORE DEPARTURE OF FORMER TREASURER LYNCH. IT WILL BE RECALLED THAT SECRETARY CARMODY IS ONE OF TRIUMVIRATE (ALONG WITH SIR FREDERICK WHEELER, SECRETARY OF THE TREASURY AND H.M. KNIGHT, GOVERNOR OF THE LIMITED OFFICIAL USE

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RESERVE BANK) THAT DECIDES ON DAY-BY-DAY BASIS THE VALUE OF THE AUSTRALIAN DOLLAR AGAINST THE TRADE WEIGHTED "BASKET" OF CURRENCIES AGAINST WHICH IT IS PEGGED. THAT PM IS GEARING UP HIS DEPARTMENT FOR AN EVEN MORE ACTIVE ECONOMIC POLICY ROLE MAY ALSO BE DEDUCED FROM FACT THAT HE HAS HIVED OFF ON OTHER DEPARTMENTS SUCH ACTIVITIES AS WOMEN'S AFFAIRS AND SUPPORT FOR THE ARTS AND LETTERS (BOTH TO THE NEW DEPARTMENT OF HOME AFFAIRS), THE AUSTRALIAN-JAPAN FOUNDATION (TO THE DEPARTMENT OF FOREIGN AFFAIRS) AND THE RESPONSIBILITY FOR SERVICING THE AUSTRALIAN SCIENCE AND TECHNOLOGY COUNCIL (TO THE DEPARTMENT OF SCIENCE). AS A FURTHER EVIDENCE OF DPMC'S INCREASED POLICY ORIENTATION IT MIGHT ALSO BE WORTH NOTING THAT IT HAS BEEN ASSIGNED RESPONSIBILITY FOR ALL ROYAL COMMISSIONS (OTHER THAN SERVICING ASPECTS). ACTUAL POWER BEING WEILDED BY DPMC MAY WELL BECOME MUCH CLEARER AT TIME OF FORMATION OF FY-79 BUDGET NOW THAT TWO DEPARTMENTS WITH PRIME RESPONSIBILITY (TREASURY AND FINANCE) NO LONGER OPERATING UNDER ONE MINISTER. DPMC MAY BE EXPECTED PLAY KEY COORDINATING AND BALANCING ROLE.

3. LYNCH, AS NUMBER THREE IN RANK IN NEW GOVERNMENT, CERTAINLY HAS PRESTIGE TO PLAY COORDINATING ROLE AMONG TWO OTHER MINISTRIES CONCERNED WITH AUSTRALIAN INDUSTRY (PRODUCTIVITY AND

BUSINESS AND CONSUMER AFFAIRS). FACT THAT LYNCH IS A MEMBER OF CABINET AND MACPHEE AND FIFE ARE NOT SHOULD LEND FORCE TO SUCH AN ARRANGEMENT. IN ADDITION, ALTHOUGH SIMILAR STATEMENTS ARE COMMON AT TIME OF CABINET RESHUFFLINGS, FRASER INDICATED THAT GOVERNMENT RECOGNIZED PRESSING NEED TO COORDINATE ITS INDUSTRY POLICY AND THAT HE HAD "ASKED MR. LYNCH TO UNDERTAKE AN OVER-RIDING RESPONSIBILITY IN THIS AREA AND TO COORDINATE PARTICULARLY POLICY DEVELOPMENTS WITHIN THE THREE DEPARTMENTS CONCERNED." HAD FRASER VICTORY BEEN AS NARROW AS MANY HAD EXPECTED, THREE DEPARTMENTS MIGHT WELL HAVE BEEN CONSOLIDATED, BUT MASSIVE VICTORY AND NEED FOR LARGE NUMBER OF MINISTERS CLEARLY MADE THIS IMPOSSIBLE. IT REMAINS TO BE SEEN HOW COORDINATING ROLE WILL WORK OUT IN PRACTICE, AS TWO JUNIOR MINISTERS AND THEIR DEPARTMENTS ATTEMPT TO ASSERT THEIR INDEPENDENCE. SOME OBSERVERS HAVE LIMITED OFFICIAL USE

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REMARKED ON FACT THAT LYNCH AS TREASURER OFTEN STOOD OUT FOR A BALANCED TRADE POLICY IN FACE OF FRASER'S MORE BLATANT PROTECTIONIST IDEAS. WE ARE INCLINED TO THINK, HOWEVER, THAT LYNCH PRIMARILY AN ORGANIZATION MAN AND THAT IN PAST HE ACTED MORE IN DEFENSE OF VIEWS OF TREASURY BUREAUCRATS THAN FROM PERSONAL PRINCIPLES. IT WILL BE INTERESTING TO OBSERVE IN COMING MONTHS WHETHER LYNCH CHANGES DEPARTMENT OF INDUSTRY AND COMMERCE, OR WHETHER DIC CHANGES LYNCH. WE ARE INCLINED TO BET ON LATTER.

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4. WHILE ACTUAL SPLIT-UP OF FUNCTIONS OF ANTHONY'S FORMER PORTFOLIO OF NATIONAL RESOURCES (DNR) BETWEEN HIS NEW DEPARTMENT OF TRADE AND RESOURCES (DTR) AND EQUALLY NEW DEPARTMENT OF NATIONAL DEVELOPMENT (DND) STILL FAR FROM CLEAR, ON FIRST BLUSH IT APPEARS THAT MOST IMPORTANT ELEMENTS OF DNR WILL MOVE ALONG WITH ANTHONY TO DTR. DTR WILL ASSUME RESPONSIBILITY FOR ALL FUNCTIONS OF FORMER DEPARTMENT OF OVERSEAS TRADE (DOT), TOGETHER WITH THOSE FUNCTIONS OF FORMER DNR WHICH RELATE TO MINING, PRODUCTION AND MARKETING OF MINERALS (INCLUDING URANIUM AND HYDROCARBON FUELS) AND ECONOMIC MATTERS AFFECTING THE MINING INDUSTRY. THE NUCLEAR COMMERCIAL FUNCTIONS OF AUSTRALIAN ATOMIC ENERGY COMMISSION (AAEC) - EXPORTS FROM AAEC STOCKPILES AND ITS SHARE IN RANGER AND MARY KATHLEEN - WILL BE UNDER DTR AS WILL JOINT COAL BOARD AND NATIONAL COAL RESEARCH COUNCIL (NCRC). DND WILL BE RESPONSIBLE

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FOR ENERGY PLANNING AND RESEARCH, EXPLORATION POLICY, WATER RESOURCES AND ELECTRICITY AND "MATTERS RELATING TO (LOCAL) PROCESSING AND DISTRIBUTION OF OIL AND GAS". IT IS EXPECTED THAT DIVISION OF NATIONAL MAPPING AND BUREAU OF MINERAL RESOURCES, GEOLOGY AND GEOPHYSICS WILL BE IN DND. WITH EXCEPTION OF JOINT COAL BOARD AND NCRC AND COMMERCIAL ASPECTS OF AAEC, ALL BODIES FORMERLY REPORTING TO MINISTER OF NATIONAL RESOURCES WILL NOW REPORT TO NEW MINISTER FOR NATIONAL DEVELOPMENT, I.E., AUSTRALIAN MINERALS AND ENERGY COUNCIL, AUSTRALIAN WATER RESOURCES COUNCIL, ORD PROJECT COORDINATING COMMITTEE, NATIONAL ENERGY ADVISORY COMMITTEE, AUSTRALIAN ATOMIC ENERGY COMMISSION (EXCEPT AS NOTED), PIPELINE AUTHORITY, RIVER MURRAY COMMISSION, SNOWY MOUNTAINS COUNCIL AND SNOWY MOUNTAINS HYDRO-ELECTRIC AUTHORITY). IN ADDITION, NEWMAN BRINGS WITH HIM FROM HIS FORMER MINISTRY, ENVIRONMENT, HOUSING AND URBAN DEVELOPMENT, RESPONSIBILITY FOR URBAN AND REGIONAL PLANNING AND DEVELOPMENT (INCLUDING DECENTRALIZATION AND GROWTH CENTERS). IT APPEARS CLEAR FROM FOREGOING THAT ANTHONY HAS TAKEN WITH HIM TO PORTFOLIO OF TRADE AND RESOURCES THE MOST ACTIVIST AND MARKET ORIENTATED FUNCTIONS OF WORK OF OLD DNR. IN COMING WEEKS AND MONTHS IT WILL BE INTERESTING TO OBSERVE FATES OF THOSE WITHIN FORMER DNR WHO, ACCORDING TO MANY OBSERVERS, WERE STILL IMBUED WITH "LEAVE IT IN THE GROUND" PHILOSOPHIES OF FORMER ALP MINISTER REX CONNOR AND HIS SECRETARY SIR LENOX HEWITT.

5. THE NEW MINISTER FOR THE NEWLY NAMED DEPARTMENT OF THE SPECIAL TRADE REPRESENTATIVE (WHICH WAS CREATED SEVERAL MONTHS AGO AS THE DEPARTMENT OF THE SPECIAL TRADE NEGOTIATOR) R.V. GARLAND, WILL SERVE AS "MINISTER ASSISTING" MR ANTHONY. WE ALSO UNDERSTAND THAT MR. GARLAND WILL HAVE A WIDER NEGOTIATING MANDATE THAN WAS THE CASE WITH HOWARD WHO SUPPOSEDLY ONLY HAD RESPONSIBILITY FOR NEGOTIATIONS WITH THE EEC.

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6. AN IMPORTANT ASIDE TO THE MINISTERIAL AND DEPARTMENTAL SHIFTS JUST DESCRIBED IS THE LINE-UP OF THE TOP CIVIL SERVANTS ("PERMANENT HEAD" - SECRETARY) WITHIN THE RESPECTIVE DEPARTMENTS. TO SERVE AS SECRETARY TO THE NEW DEPARTMENT OF TRADE AND RESOURCES WILL BE J. SCULLY WHO WAS SECRETARY OF THE DEPARTMENT OF NATIONAL RESOURCES. SCULLY, HOWEVER, IS AN OLD TRADE HAND, AS BEFORE BECOMING SECRETARY OF DNR HE HAD RISEN THROUGH THE RANKS TO THE DEPUTY SECRETARY OF THE DEPARTMENT OF OVERSEAS TRADE. HE WAS AN IMPORTANT MEMBER OF THE OLD DEPARTMENT OF TRADE AND INDUSTRY WHICH WAS RUN WITH AN IRON HAND BY NCP STALWART SIR JOHN MCEWEN. THE PERMANENT HEAD OF THE FORMER DEPARTMENT OF OVERSEAS TRADE, DOUG MCKAY, WILL BECOME SECRETARY OF THE DEPARTMENT OF PRIMARY INDUSTRY TO REPLACE WALTER IVES WHO IS RETIRING. THE SECRETARY OF THE NEW DEPARTMENT OF NATIONAL DEVELOPMENT WILL BE ALAN WOOD, WHO IS BEING PROMOTED FROM HIS POST AS DEPUTY SECRETARY, DEPARTMENT OF PRIME MINISTER AND CABINET. WOOD HAD ALSO BEEN DEPUTY SECRETARY OF THE DEPARTMENT OF INDUSTRY AND COMMERCE AND LIKE SCULLY IS AN ALUMNUS OF SIR JOHN MCEWEN'S DEPARTMENT OF TRADE AND INDUSTRY.

7. COMMENT: FOREGOING IS PRELIMINARY ASSESSMENT OF IMPORTANCE OF MINISTERIAL SHIFTS IN ECONOMIC SPHERE AND IS BASED ON OUR ASSESSMENTS OF PERSONALITIES OF INDIVIDUALS INVOLVED, STATEMENTS OF PRINCIPALS AND BARE-BONED DESCRIPTIONS IN PRESS AS TO FUNCTIONS OF DEPARTMENTS AND MINISTERS CONCERNED.

ALSTON

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## Message Attributes

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**TAGS:** EALR, ECON, EFIN, EGEN, AS  
**To:** STATE  
**Type:** TE  
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